

July 22, 2021

## Company Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		ACCUMULATE	
Target Price	6,840		5,845	
NII (Rs.)	186,016	219,886	180,956	217,616
% Chng.	2.8	1.0		
PPoP (Rs.)	131,237	159,186	128,240	159,028
% Chng.	2.3	0.1		
EPS (Rs.)	118.2	163.4	115.7	159.9
% Chng.	2.2	2.2		

### Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Int.Inc. (Rs m)	169,006	172,541	186,016	219,886
Growth (%)	42.5	2.1	7.8	18.2
Op. Profit (Rs m)	112,516	119,608	131,237	159,186
PAT (Rs m)	52,638	44,198	71,133	98,326
EPS (Rs.)	89.5	73.6	118.2	163.4
Gr. (%)	29.0	(17.8)	60.7	38.2
DPS (Rs.)	4.4	10.0	4.8	5.0
Yield (%)	0.1	0.2	0.1	0.1
Margin (%)	11.7	10.3	10.3	10.5
RoAE (%)	20.2	12.8	18.0	21.0
RoAA (%)	3.6	2.6	3.9	4.7
PE (x)	66.4	80.8	50.3	36.4
P/BV (x)	11.0	9.7	8.5	6.9
P/ABV (x)	11.3	10.0	8.7	7.1

### Key Data

**BJFN.BO | BAF IN**

52-W High / Low	Rs.6,343 / Rs.3,007
Sensex / Nifty	52,199 / 15,632
Market Cap	Rs.3,586bn/ \$ 48,062m
Shares Outstanding	604m
3M Avg. Daily Value	Rs.26016.05m

### Shareholding Pattern (%)

Promoter's	56.24
Foreign	24.03
Domestic Institution	9.33
Public & Others	10.40
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.4)	19.3	72.7
Relative	(2.1)	13.8	23.8

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## A profitable fintech lender – upgrade to BUY

*Finding opportunities in adversity, Bajaj Finance (BAF) stands geared to transform from a conventional retail lender to a full-fledged financial services ecosystem. It aims to be a one-stop shop offering superior customer services across the value chain encompassing digital lifestyle stores & credit, digital payments, health, insurance and wealth marketplaces by integrating offline as well as online platforms. We believe BAF's robust framework would 1) accelerate its customer franchise to ~88mn (FY24) 2) enable harnessing existing customer potential backed by newly launched marketplaces/payments apps and 3) exercise leaner cost structures.*

*We foresee improvement across earnings drivers (18% AUM CAGR, healthy NIMs: 10.5% and credit costs ~2%) spurring a meaningful rise in ROA/ROE (4.7%/21%) over FY22-23. With strong BS resilience (8-9% excess liquidity, 28% CAR) and robust collections infrastructure backed by digital initiatives, BAF stands prepared to sail through pandemic. We foresee upward shift of valuation multiple for BAF due to high value potential of 1) fintech initiatives (marketplaces/payments apps which could be valued at Rs1100bn), 2) competitive securities business gaining strengths (~1,00,000 customer base in <2 years of inception) and 3) resilient housing business (expect market share/RoE to ~4.8%/9-10% by FY23). Against this backdrop, we upgrade BAF to 'BUY' (earlier Accumulate) with TP of Rs 6,840 valuing at 9.0x PABV FY23E.*

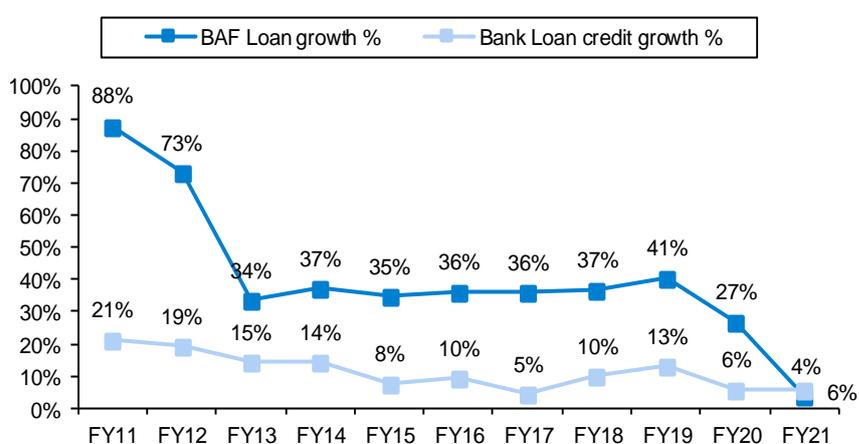
- New digital platform to accelerate customer count to 88mn by FY24:** Taking Co.'s 'direct to customer' proposition to next level, BAF is establishing a seamless digital platform offering superior customer services, across the value chain. We reckon that the omni-channel framework would 1) provide customer flexibility w.r.t purchase & post purchase credit and 2) address competitive intensities emerging from banks in the 0% interest credit market. Backed by robust digital platform and diversified offline/online product & services, the new to Bajaj customer count (60-80laks annual run-rate) can improve translate higher business volumes for BAF. As a result of which, BAF would see customer franchise growing to 88mn by FY24 from current 50mn.
- BAF's omni-channel framework of proprietary marketplaces/payments geared to harness existing customer potential:** While customer acquisition is an ongoing strategy wherein BAF continues to add ~2mn customers each quarter, the marketplaces and payment apps are being established to harness existing customer potential and increase business velocity. BAF's integration of 3-in-1 financial services (credit, online shopping, payments) across merchants, retailers and customers on a omni-channel framework would play a pivotal role in capturing higher wallet share of 27mn cross sell customer base, targeting prospective 95mn customers with credit pre-approvals in place. Under new business transformation regime, BAF aims to tap this 123mn target market which could significantly boost repeat loans in turn aiding business traction. Q1FY22 saw new loans from repeat customers 2.2x of new loans acquired, boosting overall AUMs. Moreover, high potential marketplace apps and payments business carry as high as Rs1100bn implicit valuations in light of current market valuations of BAF.

- **Recalibration of business conduct to translate into C/I declining <30%:** We reckon cash burn on establishing payments network would be compensated by low costs customer acquisition as BAF's omni-channel network aims to harness existing customer potential optimally. Moreover, over the past few years, BAF has been consistently making investments in data, technology and analytics as part of transformational journey. Such amelioration of core technological stack of the Co. coupled with higher emphasis on existing customer engagement should augur well in terms of operating efficiencies. Against this backdrop, we expect cost-income (C/I) for BAF to decline 240bps to 28% by FY23.
- **Competitive securities business growing from strength to strength:** Combination of discounted brokerage model as a customer acquisition strategy and traditional securities business set-up for a sustainable sticky customer base, Bajaj Financial Securities (BFSL) boasts a sizeable 95,000+ customer count built within a span of 2 years since inception. Channel checks indicate BFSL has captured 60% of IPO financing market ring-fencing this clientele for scaling brokerage biz. Moreover, after creating an ecosystem of digital product offerings to retail clientele, expanding HNI broking footprint and margin trading businesses, BFSL stands poised to make its mark in competitive securities market.
- **Housing finance business poised for market share uptick; provides resilience to parent's BS:** BAF's housing finance business (BHFL) saw doubling of AUMs to ~Rs400bn between FY19-FY21 grabbing 4% market share. With greater focus on salaried home loans (86% of AUM) led by originations at developer points and ATS restricted to <Rs0.5mn, BHFL's calibrated book expansion (12-14% AUM CAGR over FY21-FY23) to enhance parent's BS resilience. We expect BHFL's market share to climb to ~4.8% and RoEs to graduate at double digit by FY23.
- **Earnings potential strong; Q1FY22 elevated NPAs – temporary glitch:** BAF Q1FY22 earnings saw PAT miss on account of higher provisions (up 42%QoQ) as NPAs spiked 117bps QoQ to 2.96%, due to significant stress in auto financing business. COVID provisions of Rs4.8bn led to provisions spike and BAF aggressively wrote-off Rs9.2bn assets in Q1FY22. While third wave challenges remain, we draw comfort in declining OTR, robust collection infrastructure coupled with adequate provision and business transformation translating into improved yields and costs. **We tweak growth estimates higher (15%/20%) and NPA lower (2%/1.9%) for FY22/23 plus foresee improvement across earnings drivers (18% AUM CAGR, healthy NIMs: 10.6% and credit costs <2%) spurring a significant rise in ROA/ROE (4.7%/21%) over FY22-23. With strong BS resilience (8-9% excess liquidity of total borrowings, 28% CAR) and robust collections infrastructure backed by digital initiatives, BAF stands prepared to sail through.**

## New digital platform to accelerate customer count to 88mn by FY24:

Finding opportunities in adversity, Bajaj Finance (BAF) stands geared to transform from a conventional retail lender to a full-fledged financial services ecosystem. BAF developed a formidable technology-led diversified lending model spread across more than 60 products with an already laid strong feat in housing finance and competitive broking subsidiaries. Over the past decade (FY11-21), BAF recorded loan CAGR of 35%, earnings CAGR of 33% and RoE of 20%+ underpinned by strong execution, multiple product innovations, risk based pricing and customer centricity.

**Exhibit 1: BAF's loan CAGR at 35% vs 10% bank credit CAGR: (FY11-FY21)**



Source: Company, PL

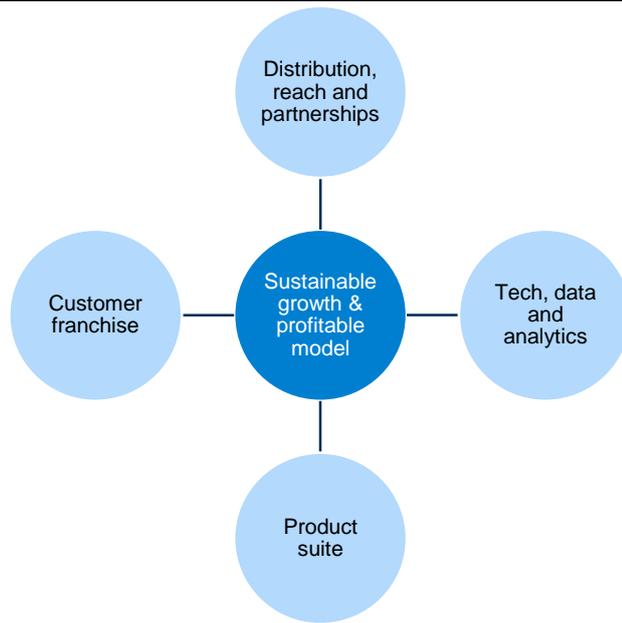
**Exhibit 2: BAF has maintained superior earnings CAGR and return profile**

Profitability metrics	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
PAT (Rs mn)	2,470	4,064	5,913	7,190	8,979	12,785	18,365	24,964	39,950	52,638	44,198
PAT Growth (%)	176%	65%	45%	22%	25%	42%	44%	36%	60%	32%	-16%
ROA (%)	3.7%	3.6%	3.7%	3.2%	3.0%	3.2%	3.4%	3.4%	3.8%	3.6%	2.6%
ROE (%)	19.7%	24.1%	22.0%	19.6%	20.4%	21.1%	22.4%	20.1%	22.5%	20.2%	12.8%

Source: Company, PL

BAF's unique business strategy of building scale and maximizing profits under phase 1 resulted in a robust customer franchise of 50mn. Business transformation phase 2 would not only double the customer count to 100mn (by FY24), but also enable to capture higher customer wallet share in a cost effective manner.

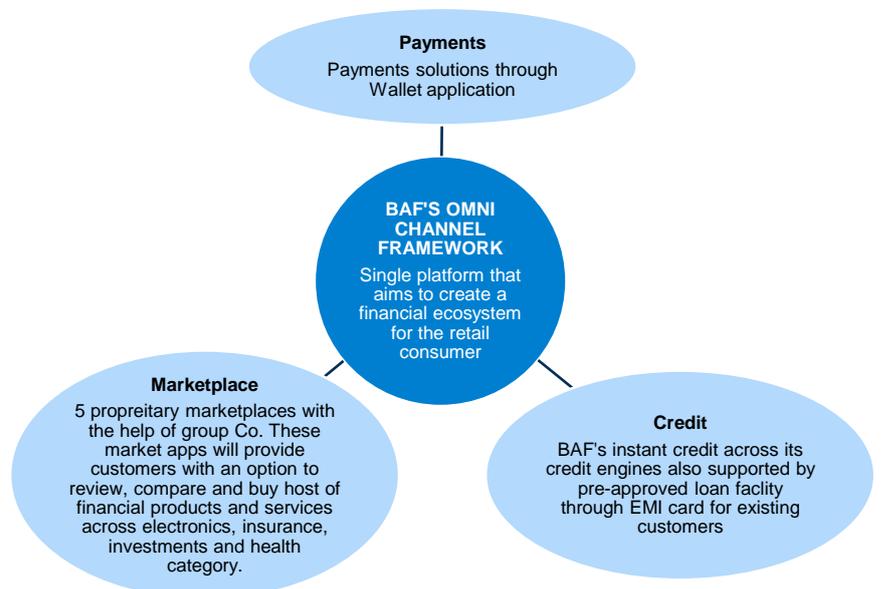
**Exhibit 3: BAF's business transformation 1**



Source: Company, PL

Given the pandemic led e-commerce boom along with asset quality and book growth challenges, BAF witnessed opportunity in this adversity and accelerated its business transformation 2 exercise. With change in customer behavior, rapid expansion in fintech markets and growing competitive intensities, BAF re-designed its product, processes and practices through digital platforms. Additionally, for providing flexibility to customers to move between offline-online channels in a seamless manner, BAF is creating omni-channel framework with an integrated products and services offerings. We reckon, such a platform will not only enhance customer experience and ensure stickiness through reduced friction for purchase and post purchase experience, but also boost product per customer along with new to credit customer aiding business accretion.

**Exhibit 4: BAF's business transformation 2**



Source: Company, PL

*Taking Co.'s 'direct to customer' proposition to next level, BAF is establishing a strong digital platform offering superior customer services across the value chain.*

From a mono-line captive lender to a diversified financial services business, BAF today boasts of a comprehensive product bouquet encompassing 65 product segments across consumer, SME, commercial, rural, housing, securities and fee-based business segments. Suiting customer needs, product innovation has been the cornerstone of BAF's successful retail lending journey.

**Exhibit 5: Consistent product innovations in commensurate with customer needs**

Up till FY08	FY09 & FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
CD financing	Business Loan	Construction equipment finance	EMI CARD	Lifestyle Product financing	CRISIL SME Rating	MSME Rural Lending	E-commerce - Seller finance	Co-branded Credit Card (RBL Bank)	General vendor financing	Specialty chemicals lending	Retailer Finance	Health EMI Card
2W&3W financing	Loan Against Shares Promoters	LAS - Retail	Co-branded Credit Card	Salaried Home Loans	Consumer Finance Fitness report	Property fitness report	Urban gold loans	Ecommerce - Consumer Finance	Unsecured WC loans	Used car financing	IPO Financing	Medical Equipment Financing
Personal Loan Cross Sell	Vendor Financing	Home loans - Self Employed	Infra financing	Lease Rental Discounting	General insurance distribution	Digital Product Finance	SME Financial Fitness report	EMI Card - Retail Spends	Home loans / LAP rural	Gold Loans	ESOP Financing	HNI Broking
Life Insurance Distribution	Extended warranty cross sell		Professional Loans		Retailer financing		Corporate Finance Business	Developer Finance	Co-branded Wallet	Secured enterprise loans in SME	Loans to Professionals	Retail Broking HNI
	LAP		Salaried Personal Loans		Consumer Rural lending (CD/lifestyle/digital products/personal loans)		Light Engineering Lending	Warehouse receipt Financing		LRD in SME	Pocket Insurance	Retail Broking HNI
			Relationship Management				Financial Institutions Lending Business			Health Insurance Distribution	Depository services	IPO Financing - SME
										Secured enterprise loans in rural	Margin Trading Facility	Mutual Funds - SME
										Financial Fitness Report	Spread Financing	Distribution of PMS
										Vendor financing to auto component manufacturers	Brokerage Account	
										Property search services		
4	5	3	6	3	5	3	6	5	4	7		

Source: Company, PL

Consumer
  SME
  Rural
  Commercial
  Fee products

BAF's unique Existing Member Identification (EMI) card with 24.1mn cards-in-force, Mobikwik App with 20.9mn users who have linked their EMI card to the wallet and RBL Bank co-branded credit card CIF at 2.13mn (Q1FY22) has been facilitating instant credit after first purchase in over 1,00,000 points of sales for BAF customers. In FY2021, EMI cards enabled the Company to finance over 8.7 million purchases across all sales finance categories: consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends.

**Exhibit 6: ...backed by instant credit facilities and strong payments services network**

	1QFY 19	2QFY 19	3QFY 19	4QFY 19	1QFY 20	2QFY 20	3QFY 20	4QFY 20	1QFY 21	2QFY 21	3QFY 21	4QFY 21	1QFY 22
EMI cards in force (units in mn)	14.2	15.4	16.5	18.7	19.8	20	20.5	21.98	21.5	20.6	23.5	23.77	24.1
<i>Growth YoY</i>	45%	51%	45%	45%	39%	30%	24%	18%	9%	3%	15%	8%	12%
Mobikwik active wallet users (units in mn)	2.2	3.3	6.5	8.3	10	11.8	13.5	15.2	15.7	16.8	18.3	19.8	20.9
<i>Growth YoY</i>					355%	258%	108%	83%	57%	42%	36%	30%	33%
BAF RBL CREDIT CARD (units in '000)	508	663	845	1053	1285	1496	1662	1839	1798	1870	1900	2050	2130
<i>Growth YoY</i>					153%	126%	97%	75%	40%	25%	14%	11%	18%

Source: Company, PL

**Exhibit 7: ... across 1,00,000+ point of sales**

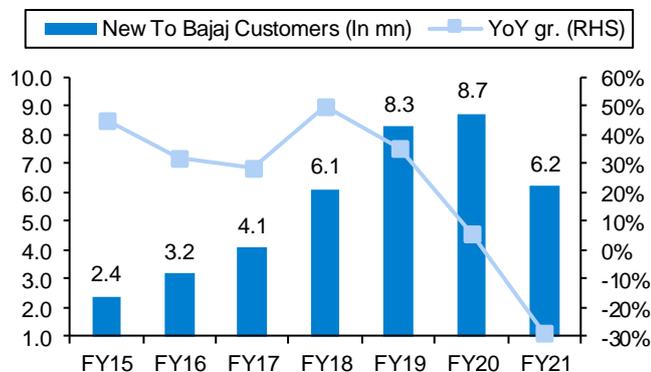
BAF's stron POS network	Jun-18	Jun-19	Jun-20	Dec-20	Mar-21	Jun-21
Consumer durable stores Urban	16600+	22000+	24200+	24700+	26400+	26900+
Consumer durable stores Urban	10100+	15200+	19600+	22500+	24000+	24000+
Digital Products Stores	17400+	23100+	26400+	25400+	23800+	26350+
Lifestyle retail stores	6400+	8300+	9500+	8800+	9800+	9400+
EMI Card - retail spends store	12100=	20700+	24300+	10400+	14300+	14500+
Bajaj Auto dealers, sub dealership & ASSC	4100+	4900+	5500+	5800+	5900+	5800+
Direct sales agent	2500+	2800+	4900+	5200+	6100+	7500+
Overall distribution network	67000+	97000+	114400+	102800+	110300+	114400+

Source: Company, PL

Taking Co.'s 'direct to customer' proposition to next level, BAF is establishing a seamless digital platform offering superior customer services across the value chain. We reckon, the omni-channel framework to enable BAF to 1) provide customer flexibility w.r.t purchase and post purchase credit and 2) address competitive intensities emerging from banks in the 0% interest credit market.

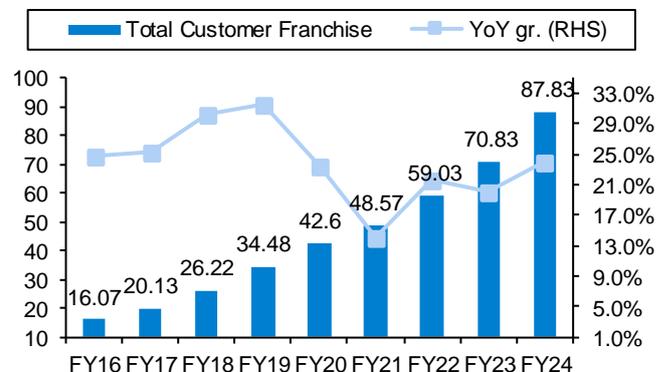
Backed by robust digital platform and diversified offline/online product and services, the new to Bajaj customer count (60-80lakhs annual run-rate) can improve, thereby translating higher business volumes for BAF. As a result of which, BAF would certainly get closer to achieving 88mn customer franchise by FY24.

**Exhibit 8: New to Bajaj Customer run-rate at 6-8mn each year**



Source: Company, PL

**Exhibit 9: BAF poised for 88mn customer franchise by FY24**



Source: Company, PL

## Omni-channel framework geared to harness existing customer potential

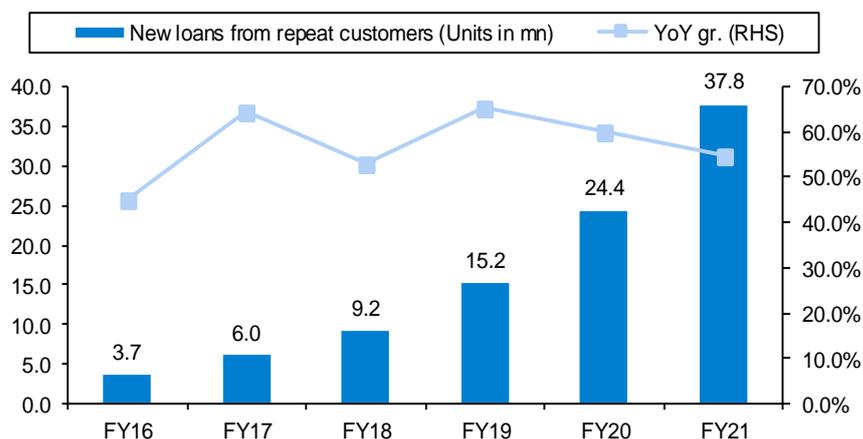
While customer acquisition is an ongoing strategy wherein BAF continues to add ~2mn customers each quarter, the marketplaces and payment apps are being established to harness existing customer potential and increase business velocity. BAF's integration of 3-in-1 financial services (credit, online shopping, payments) across merchants, retailers and customers on a omni-channel framework would play a pivotal role in capturing higher wallet share of 27mn cross sell customer base and target prospective 95mn customers with credit pre-approvals in place. Under new business transformation regime, BAF aims to tap this 123mn target market to significantly boost repeat loans and in turn aid business traction. Q1FY22 already saw new loans from repeat customers 2.2x of new loans acquired, boosting overall AUMs.

**Exhibit 10: BAF's existing (27mn) and prospective (95mn): target market ready to be captured via market apps/ payments**

Customer Franchise (Units in mn)	Definition	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Q1FY22
Cross Sell Franchise	Bureau best (750>score) customer base currently with BAF	6.25	8.49	11	15.43	20.67	24.13	26.89	27.43
Non-Delinquent Customers	Excluding 30+dpd customers	7.32	9.48	12.69	17.22	23.26	28.48	32.63	33.15
Overall Cross Sell Franchise	Customers who can be cross sold BAF products	7.77	10.32	13.67	18.88	25.89	32.32	37.1	38.32
Credit Segment Filter	Mass affluent customer base	7.97	10.57	14.38	19.77	26.93	33.47	38.5	39.82
Total Franchise	Total mass + mass affluent customer base of BAF	12.89	16.07	20.13	26.22	34.48	42.6	48.57	50.45

Source: Company, PL

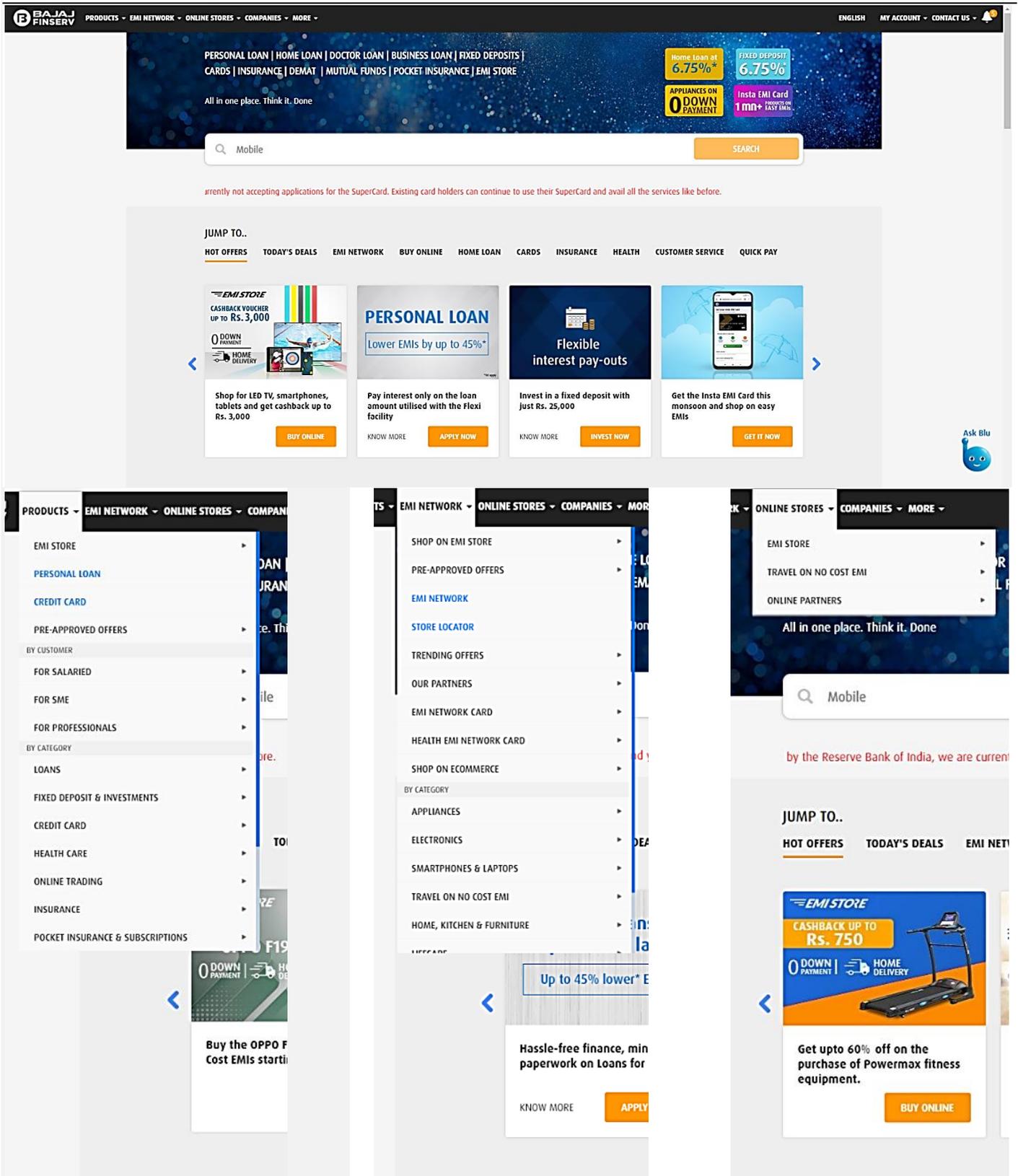
**Exhibit 11: New loans from repeat customers to grow under transformation 2**



Source: Company, PL

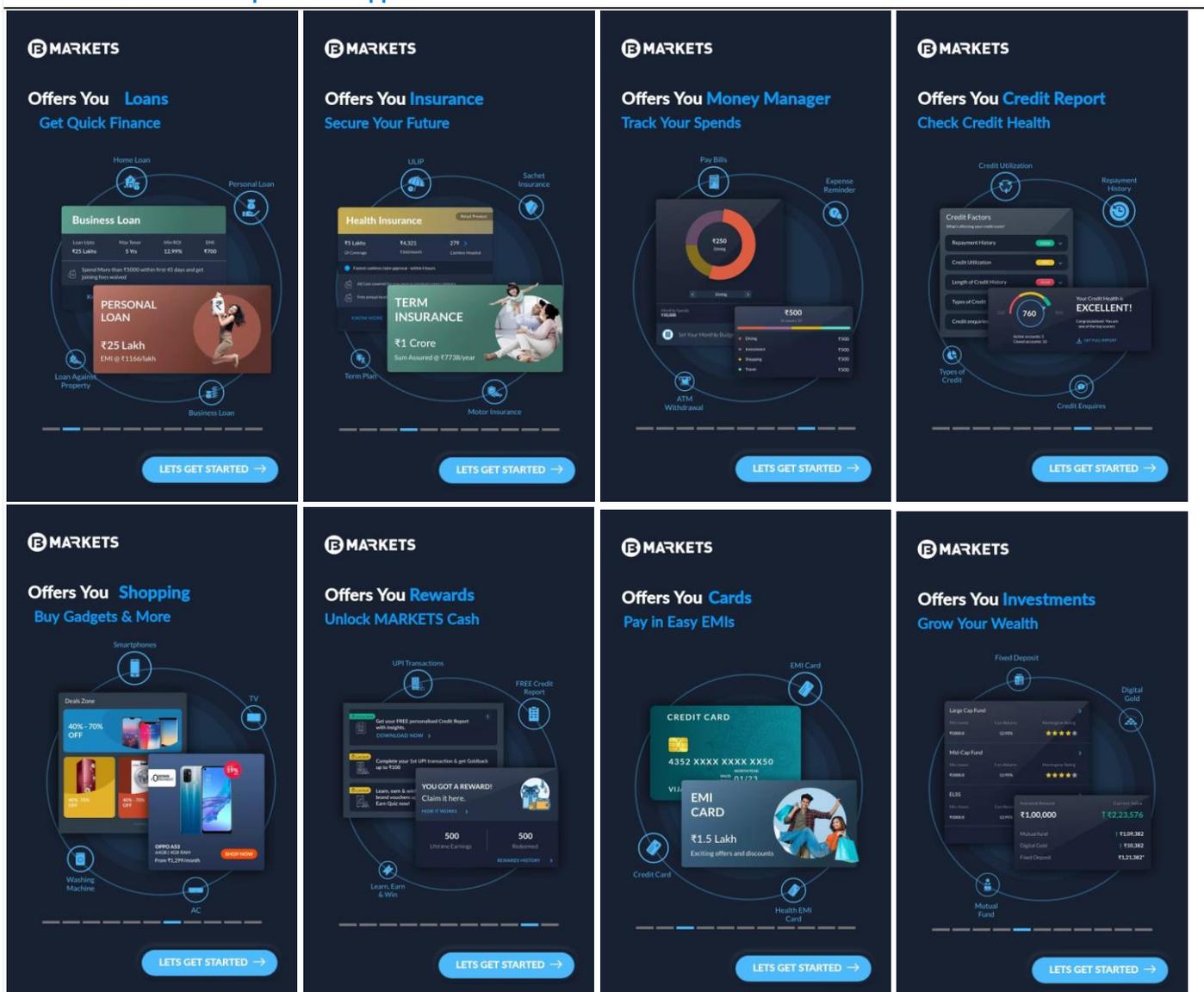
In this regards and through collaboration with parent and group companies, BAF should be launching five apps (i) the 'EMI store', (ii) the 'Insurance Marketplace', (iii) the 'Investment Marketplace', (iv) 'BFL Health', and (v) the 'Broking App'. While such marketplaces should fulfill customer requirements of credit and online shopping, Bajaj Pay will offer an integrated payment solution comprising of UPI, PPI, EMI card and credit card to its customers. BAF is also developing a 'Bajaj Pay' for merchants. This should broaden payment solution offerings of the Co. to its 1,00,000+ merchants, enabling higher growth and larger market share in wallet business.

Exhibit 12: BAF's marketplaces – credit, estore, insurance, health, payments



Source: Company, PL

Exhibit 13: BAF's marketplaces on Apps



Source: Company, PL

Moreover, the high potential marketplace apps and payments business carry as high as Rs1100bn implicit valuations in light of current market valuations of BAF.

Exhibit 14: BAF's marketplace apps could be implicitly valued at ~Rs1000bn

Fwd. PBV multiple (x)	Core book Fair Value (FY21 basis) (Rs)	Current mkt Capitalization (Rs bn)	Implied Marketapp's value (Rs)
5.0	3134	3598	464
4.5	2821	3598	777
4.0	2507	3598	1091
3.5	2194	3598	1404

Source: Company, PL

## How would BAF fare with competition in payments space?

**Exhibit 15: BAF's Payment Ecosystem vs peerset**

Payment Fintechs/ NBFCs	About the Company	More about the Company	Key Business Metrics (POS, etc)	Profitability metrics
Bajaj Pay	BAF has developed its own wallet application called 'Bajaj Pay'. This will offer an integrated payment solution comprising of UPI, PPI, EMI card and credit card to its customers. The Company will start offering BFL is also developing a 'Bajaj Pay' for merchants. This should broaden the payment solution offering of the Company to its approximately 103k merchants; and enable higher growth and larger market shares in medium term.	The Company launched its wallet business on 01 Jul'21 and has on boarded 320K customers as of 18 Jul'21. BAF expects to onboard over 5mn customers for its wallet business in FY22. The Company with a view to strengthen its presence in payments business has taken an approval of Board to apply to RBI for Payment Aggregator (PA) and Bharat Billpay Operating Unit (BBPOU) license.	The Apps have already witnessed almost 15mn downloads of which BAF's existing Experia app has 8.7 million active users	PAT reported 16% de-growth in FY21 vs 32% YoY growth in FY20 on account of pandemic challenges. While NII YoY traction stood decent, BAF stands poised to deliver 25% CAGR over FY22-24E translating into robust 22%+ RoEs.
Paytm	Paytm is an Indian digital payment system and financial technology company	Paytm is India's leading financial services company that offers full-stack payments & financial solutions to consumers, offline merchants and online platforms.	Paytm App has almost 350 million active users as at the end of FY21. The Co. has payments transaction volume market share of approximately 40%, and wallet payments transaction market share of 65% – 70% in India as of FY21.	Paytm is the largest payments platform in India with a GMV of Rs4033 billion in FY21. There was a marginal increase in revenue as at the end of FY21 to Rs31.87bn vs Rs35.41bn in FY20. Loss on bottom-line stood at Rs 17bn vs Rs29.4bn as at the end of FY20. Revenues for DiGiSPICE's Enterprise Services business grew by 35% YoY. EBITDA for FY21 stood at Rs. 128 mn, having grown by 85% Y-o-Y from Rs. 69 mn last year. The gross transaction value(GTV) for FY21 increased by over 127%.
DiGiSPICE	DiGiSPICE Technologies Limited, a leader in rural fintech, digital telco and enterprise platforms	DiGiSPICE Technologies Ltd. operates in the rural fintech space through its subsidiary, Spice Money. Spice Money is supported by a network of over 500,000 Adhikaris or banking correspondent agents who use the Spice Money App to serve a base of over 100 million consumers. The company connects financial institutions and consumer brands to empower merchants to deliver value to their retail customers. The payments solution company has partnered with card networks including RuPay, Visa, Mastercard and Amex to accept payments and plans to onboard close to 1 million merchants on to the app over the next one year. By mid-2021, Pine Labs also plans to introduce prepaid vouchers and gift cards through its subsidiary Qwikcilver.	The Spice Money Adhikari (merchant) network as on March 31, 2021 stood at 5,76,000, which grew close to 139% over the last financial year.	
Pine Labs	Pine Labs offers a traders platform that includes technology and financial solutions which include android POS machines, E-wallet, instant EMI, Cashback solutions, etc.		The company has over 6 million consumers across over 40,000 merchant establishments now have access to the Fave app for the year ending 21. 30 brands including top 15 banks (debit and credit cards) and 6 NBFCs have partnered with Pine Labs to allow shoppers to avail 'Buy Now, Pay Later' option and get cashbacks from top brands using either debit or credit cards at 1,00,000+ stores with Pine Labs terminals	Pine Labs saw its revenue grow 43%, from Rs4.9bn in FY19 to Rs7.1bn in FY20. Net loss increased by 1654% from Rs33mn in FY19 to 577mn in FY20
Mswipe	Mswipe Technologies Private Limited offers point of sale solutions that is instant payments through their POS, Mobile POS, mPOS, Card Payment, Payment Solutions, mQR, QR code, Digital Payments, Card Swipping Machine, NFC Payment	The Company provides mobile credit and debit payment, merchant box, sms receipts, and payment services. Accept payments from any mobile payment app or UPI App (GPay, PayTM, PhonePe, BharatPe etc.) that is used by the customer.	The company believes in serving the smallest of merchants. India currently has 12-15 million SMEs and mobile POS is the only channel that can efficiently link these SMEs to mainstream financial services and digital commerce. Today less than 500,000 SMEs have any type of POS. Mswipe aims to provide seamless mobile POS solutions to such merchants across India and create India's largest financial services platform for SMEs.	Mswipe has recorded 34.6% uptick in operating revenue which grew to Rs3.48bn in FY20 from Rs2.58bn in FY19. Unlike revenues, losses ballooned 2.5x to Rs1.5bn in FY20 from Rs0.58bn in FY19

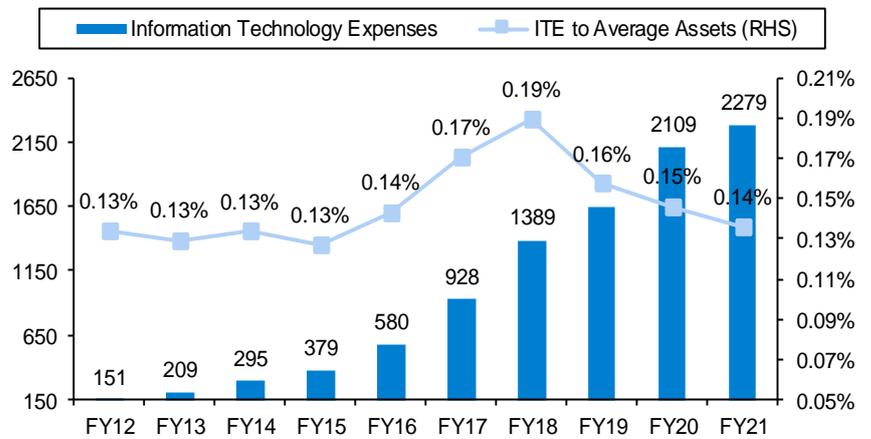
Payment Fintechs/ NBFCs	About the Company	More about the Company	Key Business Metrics (POS, etc)	Profitability metrics
BharatPe	Bharat pe is a merchant payment application designer to promote and offer digital payment services in which one bharat pe QR can be used for payment transfer from any other payment app.	The company has made payments acceptance absolutely FREE for all businesses with no transaction charges at all. BharatPe makes payment acceptance simple by offering merchants a single QR to accept all payment apps such as PayTm, PhonePe, Google Pay, BHIM and 150+ other UPI apps.	The startup, which serves more than 6 million merchants, said it had deployed over 50,000 PoS machines by November of last year.	The startup's lending business grew by 10x in 2020. Revenues jumped almost 7x to over Rs7bn as at the end of FY21 against revenue of Rs1.1bn in FY20
RazorPay	Razorpay is the only payments solution in India that allows businesses to accept, process and disburse payments with its product suite.	Razorpay gives you access to all payment modes including credit card, debit card, net banking, UPI and popular wallets including JioMoney, Mobikwik, Airtel Money, FreeCharge, Ola Money and PayZapp.	With consumers staying home and ordering online, digital payments saw an overall growth of 80% on YoY basis as at the end of FY20. Tier-2 and tier-3 cities contributed to more than half of this growth. RazorpayX increased its customer base to 15,000 businesses since Q3 FY21 beginning and saw a transaction growth of 400% on YoY basis as at the end of FY21	The Co.'s revenue grew by a massive 163% to reach Rs5.19bn as at the end of FY20. The Loss, however, increased by 89% in FY20 to Rs0.06bn.
CRED	CRED is a members only credit card bill payment platform that rewards its members for clearing their credit card bills on time.	CRED supports credit card bill payment for American Express, Standard Chartered, Citibank, HSBC, HDFC, ICICI, SBI, AXIS, Kotak, RBL, PNB and other top Indian banks. We support VISA, MasterCard, American express & RuPay cards.	CRED customer base almost doubled in a year on YoY basis to 6mn as at the end of FY21, or about 22% of all credit card holders — and 35% of all premium credit card holders — in the world's second-largest internet market	Co.'s total income as at the end of FY20 was a little over Rs180mn, a 497% YoY increase from FY19 when its total income stood at Rs30mn. The after-tax loss stood at Rs3.6bn as at the end of FY20 vs loss of Rs0.61bn in FY19
Gpay	Send or receive money with zero fees, straight from your bank account to almost anyone. Also offers various services like different recharges and payment of bills.	Google Pay is the simplest way to send money home to your family, recharge your mobile, or pay the neighborhood chaiwala.	.Google Pay has the second largest market share at around 41%, for digital payments made through the National Payments Corporation of India (NPCI)-operated Unified Payments Interface (UPI) network.	Google India's revenues have grown 34.8% to about INR 55.9bn in FY20 over the previous financial year. PAT for FY20 stood at Rs330mn, a 6.5x increase from FY19 PAT of Rs51mn in FY19
Instamojo	Instamojo is an on-demand payments platform that enables entrepreneurs to build, manage, and grow their business online.	Micro-entrepreneurs, startups, MSMEs use Instamojo to instantly start, sell, manage and grow, using our suite of offerings like payments, free online store, logistics, credit, and financing, and more, across mobile & web. Mastercard has partnered with instamojo to help MSMEs. In June 21, Instamojo announced its entry into the e-commerce space with the launch of its new platform enabling small businesses and DTC brands to come online.	Since COVID-19, Instamojo has seen 25-30 percent growth on its platform. From April onwards, Instamojo's customer base in the education sector has seen a massive 66.58 percent growth in online presence and transactions. Businesses that deal in computer accessories and services have seen a 95.4 percent growth in transactions, and B2B companies have seen a whopping 117.54 percent increase.	-

Source: Company, PL

## Recalibration of business conduct to translate into C/I declining <30%

We reckon the cash burn on establishing payments network would be compensated by low costs customer acquisition as BAF's omni-channel network aims to harness existing customer potential optimally. BAF's technology unit is well poised to do the heavy lifting of delivering payment solutions, various marketplace platforms, productivity apps, and integrating adjunct third party apps providing relevant products and services to customers. Moreover, over the past few years, BAF has been consistently making investments in data, technology and analytics as part of transformational journey.

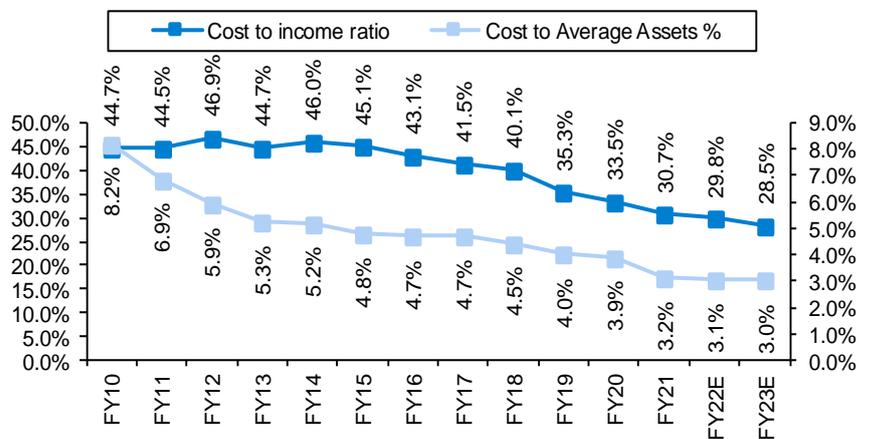
**Exhibit 16: BAF's consistent technological investments – surged past 2 years**



Source: Company, PL

Such amelioration of core technological stack of the Co. coupled with higher emphasis on existing customer engagement should augur well in terms of operating efficiencies. Against this backdrop, we expect cost-income (C/I) for BAF to decline 240bps to 28% by FY23.

**Exhibit 17: Business transformation led digital initiatives to bring down C/I to 28% levels**



Source: Company, PL

**Exhibit 18: BAF's superior operating metrics – stands comparable to likes of HDFC**

		Number Of Employees	YoY growth	Employee Cost (Rs mn)	PAT (Rs mn)	PAT/ Employee (x)
<b>BAF</b>	FY15	5,058	70.6%	4,507	8,979	1.78
	FY16	7,394	46.2%	6,296	12,785	1.73
	FY17	11,479	55.2%	9,317	18,365	1.60
	FY18	15,266	33.0%	14,336	24,964	1.64
	FY19	20,163	32.1%	19,385	39,950	1.98
	FY20	25,204	25.0%	25,491	52,638	2.09
	FY21	28,546	13.3%	24,987	44,198	1.55
<b>HDFC Bank</b>	FY15	76,286	11.9%	1,39,875	1,02,159	1.34
	FY16	87,555	14.8%	1,69,797	1,22,962	1.40
	FY17	84,041	-4.0%	1,97,033	1,45,496	1.73
	FY18	87,983	4.7%	2,26,904	1,74,867	1.99
	FY19	97,805	11.2%	2,61,194	2,10,781	2.16
	FY20	1,16,726	19.3%	3,06,975	2,62,573	2.25
	FY21	1,20,093	2.9%	3,27,226	3,11,165	2.59
<b>Axis Bank</b>	FY15	42,230	-0.4%	31,150	73,578	1.74
	FY16	50,135	18.7%	33,760	82,237	1.64
	FY17	56,617	12.9%	38,919	36,793	0.65
	FY18	59,614	5.3%	43,130	2,757	0.05
	FY19	62,770	5.3%	47,473	23,791	0.38
	FY20	74,140	18.1%	53,210	16,272	0.22
	FY21	78,307	5.6%	61,640	65,883	0.84
<b>ICICI Bank</b>	FY15	66,327	-8.2%	47,499	46,450	0.70
	FY16	72,175	8.8%	50,023	24,694	0.34
	FY17	82,841	14.8%	57,337	14,775	0.18
	FY18	81,548	-1.6%	59,140	6,571	0.08
	FY19	86,763	6.4%	68,082	4,135	0.05
	FY20	99,319	14.5%	82,712	61,172	0.62
	FY21	98,750	-0.6%	80,918	39,900	0.40
<b>HDB Financial Services</b>	FY15	10,476	37.6%	3,122	3,495	0.33
	FY16	16,508	57.6%	4,938	5,344	0.32
	FY17	65,906	299.2%	18,967	6,988	0.11
	FY18	74,049	12.4%	22,283	9,330	0.13
	FY19	93,373	26.1%	25,517	11,532	0.12
	FY20	1,09,167	16.9%	31,956	10,049	0.09
	FY21	1,04,960	-3.9%	29,556	3,915	0.04

Source: Company, PL; Note: HDB FIN SVCS employee no. stands exponentially higher owing to amalgamation with ADFC & HBL

## Competitive securities business growing from strength to strength

Combination of discounted brokerage model as a customer acquisition strategy and traditional securities business set-up for a sustainable sticky customer base, Bajaj Financial Securities (BFSL) boasts of a sizeable 95,000+ customer count built within a span of 2 years of inception. Channel checks indicate BFSL has captured 60% of IPO financing market ring-fencing this clientele for scaling brokerage biz. BFSL, with close to 1 lakh customer base has recorded Rs56mn PAT for FY21 which almost doubled YoY.

### Exhibit 19: BFSL's business dynamics & diversified product offerings

<b>Bajaj Financial Securities Limited</b>	<ul style="list-style-type: none"> <li>• A 100% subsidiary of Bajaj Finance Limited, registered with Securities and Exchange Board of India (SEBI)</li> <li>• Member of Stock Exchanges (NSE and BSE), Depositories (NSDL &amp; CDSL) and AMFI for distribution of Mutual Funds</li> <li>• Offers Capital Market products like Broking, Depository services, Margin Trade Financing (MTF), Mutual Funds, IPOs and Distribution of PMS.</li> <li>• Broking business caters to two different business segment - HNI and Retail</li> <li>• Margin Trade Financing Loan Book of ₹ 200 Cr as of 30 June 2021</li> <li>• Received issuer rating of AAA from CRISIL</li> </ul>
<b>HNI Broking</b>	<ul style="list-style-type: none"> <li>• Business continues to expand revenues from 4 existing branches - Mumbai, Ahmedabad, Pune and Indore</li> <li>• Opened 3 new branches in Q1 - Delhi, Kolkata and Bangalore</li> <li>• Total client base over 3,000 as of 30 June 2021</li> </ul>
<b>Retail Broking</b>	<ul style="list-style-type: none"> <li>• Acquired 51 K+ trading and demat accounts in Q1 FY22.</li> <li>• Empaneled 200+ Affiliates and Partners for online accounts.</li> <li>• Uniquely designed subscription plans offering attractive commercials for all customer segments</li> <li>• Focused on driving client activations and customer service frameworks for real time support</li> </ul>
<b>Capabilities Update</b>	<ul style="list-style-type: none"> <li>• Launched Web &amp; Mobile App 2.0 aimed at offering fast and simple trading experience to clients</li> <li>• App in App infrastructure to originate customers from existing Mobile App of BFL (Experia)</li> <li>• Launched SAMADHAN platform oriented towards offering customer services via self help Q&amp;As &amp; ticket-based query resolution</li> <li>• Launched Partner Portal aimed at acquiring and servicing partner network</li> <li>• Strong pipelines of upcoming new products and features to offer complete product suite of BFSL clients</li> </ul>

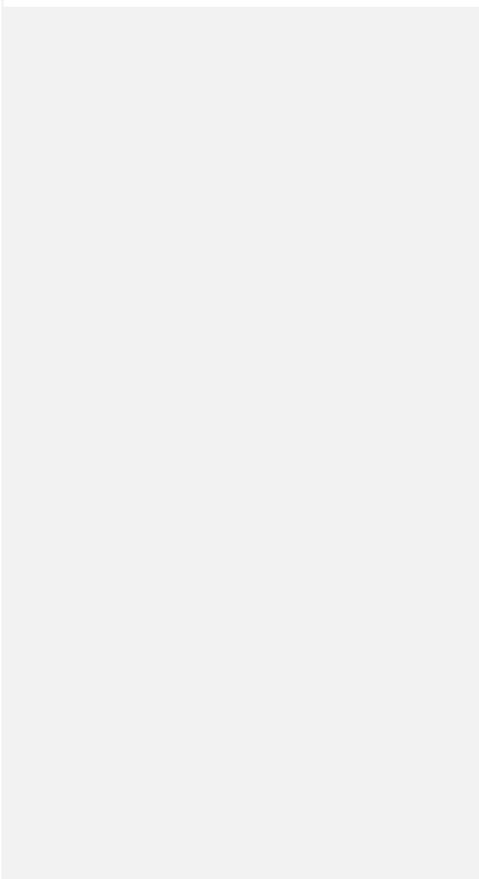
Source: Company, PL

Moreover, with creation of an ecosystem of digital product offerings to retail clientele, expansion of HNI broking footprint and margin trading businesses, BFSL stands poised to make its mark in competitive securities market. With economies of scale flowing through, BFSL stands geared to compete even with traditional Kotak and HDFC securities business models.

**Exhibit 20: BFSL business metrics vs popular discount and traditional brokers**

Key Business metrics	BAF Securities		Zerodha		Upstox		Samco		Groww		Angel Broking		Kotak Securities		HDFC Securities	
<b>Key product offerings</b>	Trading Account, Depository Services, Margin Trading, Financing, HNI Broking, Retail Broking, HNI, Retail Broking, IPO Financing, Mutual Funds, Distribution of PMS		Stocks, Direct MF, Futures and options, IPO, Gift stocks, Fixed income securities, commodity, currency		Stocks, Futures and Options, Digital Gold, Mutual Funds, IPO'S, currency, commodity		Stocks, IPO, Futures and options, commodity derivatives, currency derivatives		Stocks, IPO, Mutual funds, Digital gold, US stocks, futures and options, fixed deposits, digital Gold		Stocks, Futures & options, commodity, currency, IPO, Mutual funds		Shares, Futures and options, Mutual funds, IPO, Gold funds, Currency derivatives, FD and Tax free bonds, debentures		Stocks, Futures & Options, Currency, Commodity, IPO, Mutual Funds, Fixed income Securities, Debentures, NPS	
<b>Customer/user base</b>	Active Client base (Units million)		0.003	3.600	3.800	2.100	2.300	0.077	0.078	0.780	1.500	1.660	0.743	0.750	0.950	0.960
<b>Key business/operating metrics</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>	<b>FY20</b>	<b>FY21</b>
Revenue (Rs mn)	-	-	10,936	-	1,550	-	-	-	8	-	7,250	12,640	18,173	-	8,575	13,681
PAT (Rs mn)	-	-	4,420	10,000	-380	-	-	-	-79	-	820	2,970	5,330	-	3,841	7,032
Brokerage & Fee Income (in million)	-	-	-	-	1,249	-	-	-	-	-	5,592	-	2,441	-	6,878	11,402
<b>Flat Fees</b>	Equity delivery intraday at flat Rs0.99/order, for equity derivatives at flat Rs5/order		Delivery-0 F&O & intraday-lower of Rs.20 or 0.03%		Delivery-0 F&O & intraday-lower of Rs.20 or 0.05%		Delivery-Lower of RS.20 or 0.20% F&O-Lower of Rs.20 or 0.02%		Eq.Delivery and intraday-lower of Rs.20 or executed order F&O-20		Eq. Delivery- 0, Intraday & F&O- Flat Rs. 20		Intraday- 0(all segment)F&O-Rs.20, Equity-0.25%		Eq.Delivery-0.50%or minimum 25 F&O-0.05% or minimum 25	
<b>Investors</b>	Bajaj Finance Ltd.		Austin Global Ventures Private Limited, Straddle Capital Private Limited		Tiger Global Management, Mr.Ratan Tata, Kalaari capital partners		Bay Capital Investments		Tiger Global Management, Ribbit Capital		International finance corporation		100% subsidiary of Kotak Mahindra Bank		96% stake held by HDFC's associate - HDFCB	

Source: Company, PL



## Housing finance business poised for market share uptick, provides resilience to parent's BS

BAF's housing finance business (BHFL) saw doubling of AUMs to ~Rs400bn between FY19-FY21 grabbing 4% market share. With greater focus on salaried home loans (86% of AUM) led by originations at developer points and ATS restricted to <Rs0.5mn, BHFL's calibrated book expansion (12-14% AUM CAGR over FY21-FY23) to enhance parent's BS resilience. We expect BHFL's market share to climb to ~4.8% and RoEs to graduate to double digit by FY23.

### Exhibit 21: BAF's housing finance business – poised for better returns

Particulars	FY19	FY20	FY21	FY22E	FY23E
AUM (Rs mn)	1,75,620	3,27,050	3,88,710	4,27,581	4,91,718
<i>YoY gr.</i>		86.2%	18.9%	10.0%	15.0%
<b>AUM Mix</b>					
Home Loans	68%	72.6%	69.0%	70.0%	72.0%
LAP	16%	12.6%	12.70%	16.0%	15.0%
Developer Financing + LRD	17%	14.8%	18.40%	14.0%	13.0%
<b>Customer Category</b>					
Salaried	85%	89%	90%	89%	87%
Self-employed + Professionals	15%	11%	10%	11%	13%
<b>Profitability metrics</b>					
Leverage (x)	6	5	5	6	6.0
ROA (%)	1.1%	1.9%	1.5%	1.5%	1.5%
ROE (%)		9.1%	7.8%	8.3%	9.0%
Profits (Rs mn)	1,932	4210	4,530	6,414	7,376
Net Worth	27,436	55,851	60,322	77,742	81,953
<i>Stage 3 (NPA %)</i>	0.05%	0.08%	0.35%	0.50%	0.45%
<b>Valuation metrics</b>					
PBV Multiple (x)	1.5	1.4	1.4	1.4	1.4
Valuation per share	71	130	140	181	191

Source: Company, PL

## Earnings potential strong; Q1FY22 elevated NPAs – temporary glitch

BAF Q1FY22 earnings saw PAT miss, on account of higher provisions (up 42%QoQ) as NPAs spiked 117bps QoQ to 2.96% due to significant stress in auto financing business. COVID provisions of Rs4.8bn led to provisions spike, BAF aggressively wrote-off Rs9.2bn assets in Q1FY22. While third wave challenges remain, we draw comfort in declining OTR, robust collection infrastructure coupled with adequate provision and business transformation translating into improved yields and costs. We tweak growth estimates higher (15%/20%), NPA lower (2%/1.9%) for FY22/23 and foresee improvement across earnings drivers (18% AUM CAGR, healthy NIMs: 10.6% and credit costs <2%) spurring a significant rise in ROA/ROE (4.7%/21%) over FY22-23. With strong BS resilience (8-9% excess liquidity of total borrowings, 28% CAR) and robust collections infrastructure backed by digital initiatives, BAF stands prepared to sail through.

*PAT reports meaningful decline of 26%QoQ to Rs10bn, a miss on estimates [PLe of Rs16.8bn/CE: Rs16bn] on account of elevated provision led by higher macro provision of Rs5bn*

*Provisions for the quarter stood at Rs17.5bn [PLe: Rs10bn] increasing by whopping 42% QoQ*

*NII at Rs44.8bn de-grew 3.6%QoQ but up 8.1% YoY stood broadly in-line [PLe: Rs45.5bn] on the back of slower loan growth*

*AUM stood at Rs 1590 bn (including IPO financing receivable Rs 29 bn) in Q1FY22 (broadly in-line with PLe: Rs1511bn) as compared to Rs 1525 bn in Q4FY21 reporting growth of 4%/15% both on QoQ & YoY basis respectively.*

*Opex at Rs13.7bn stood down 13.5%QoQ but up 18.7% YoY standing in-line with estimates [PLe of Rs13.3bn]*

*PPoP at Rs31.2bn stood decent growing 2%/4% QoQ/YoY and only marginally below estimates [PLe of Rs32.5bn]*

*GNPAs stood as high as 2.96% as against PLe: 2.3% spiking 117bps QoQ and 150bps YoY*

### Exhibit 22: Q1FY22 – Higher provisions lead to huge PAT miss; NPAs spike

Y/e March (Rs mn)	Q1FY22	Q1FY21	YoY gr.	Q4FY21	QoQ gr.
Interest Income	67,419	66,482	1.4%	68,506	-1.6%
Interest Expenses	22,536	24,976	-9.8%	21,956	2.6%
<b>Net Interest Income</b>	<b>44,884</b>	<b>41,506</b>	<b>8.1%</b>	<b>46,551</b>	<b>-3.6%</b>
Other Income	11	15	-28.6%	43	-74.5%
Total Income	44,895	41,521	8.1%	46,594	-3.6%
Total Operating Expenses	13,733	11,567	18.7%	16,060	-14.5%
<b>Operating Profit (PPP)</b>	<b>31,162</b>	<b>29,954</b>	<b>4.0%</b>	<b>30,534</b>	<b>2.1%</b>
Provisions & Write Offs	17,503	16,857	3.8%	12,308	42.2%
<b>PBT</b>	<b>13,659</b>	<b>13,097</b>	<b>4.3%</b>	<b>18,226</b>	<b>-25.1%</b>
Tax Expense	3,634	3,474	4.6%	4,760	-23.6%
<b>Reported Profit</b>	<b>10,024</b>	<b>9,623</b>	<b>4.2%</b>	<b>13,466</b>	<b>-25.6%</b>
<b>Asset Quality</b>					
Gross NPAs (Rs mn)	47,081	19,328	143.6%	27,378	72.0%
Net NPAs (Rs mn)	23,222	6,903	236.4%	11,471	102.4%
Gross NPA (%)	2.96%	1.40%	1.6%	1.79%	1.2%
Net NPA (%)	1.46%	0.50%	1.0%	0.75%	0.7%
NIM %	11.51%	11.64%	-0.1%	12.56%	-1.1%
ROE %	2.70%	2.90%	-0.2%	3.70%	-1.0%
ROA %	0.70%	0.70%	0.0%	0.90%	-0.2%
<b>AUM (Rs mn)</b>					
Consumer Lending	5,48,696	5,35,582	2.4%	5,65,666	-3.0%
SME Lending	6,11,220	5,74,824	6.3%	6,23,694	-2.0%
Commercial Lending	1,96,922	1,46,444	34.5%	1,93,061	2.0%
Rural Lending	1,54,403	1,23,700	24.8%	1,47,050	5.0%
<b>Total</b>	<b>15,11,240</b>	<b>13,80,550</b>	<b>9.5%</b>	<b>15,29,470</b>	<b>-1.2%</b>
<b>AUM mix (%)</b>					
Consumer Lending	36%	39%	-2%	37%	-0.7%
SME Lending	40%	42%	-1.2%	41%	-0.3%
Commercial Lending	13%	11%	2.4%	13%	0.4%
Rural Lending	10%	9%	1.3%	10%	0.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>0.0%</b>	<b>100%</b>	<b>0.0%</b>

Source: Company, PL

## Key Conference Call Highlights

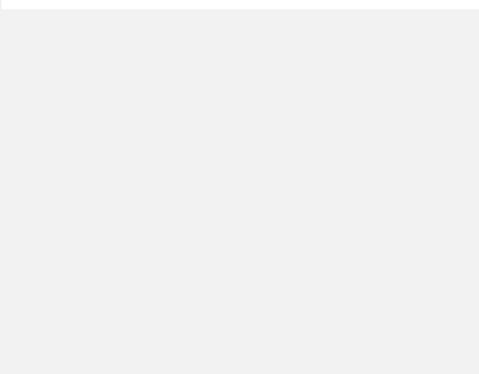
- **Q122:** Both business and collection efficiency was affected due to strict lockdown.
- **Business Transformation plan** on track and to go live by Oct-21. Large ecosystem constituent of over 2k screens across all business & service modules. +7k content pages. Will launch in phased manner. Phase 1 in Oct-Mar'21 & perfect it in phase 2.
- **AUM growth trend:** AUM growth is largely on account of urban B2B business & rural business. Expects QoQ growth for balance 3Qs at pre covid levels, if there is no 3rd wave.
- **New Branches:** Added 50 locations at places where there are no banks in Q122; expects to add 50 more in Q4FY22. BAF added 49 branches in existing locations, out of which 25 were of gold loan.
- **CoF:** 7.11% CoF will continue to decline, Co. Has very little CP of around 150 mn; CP to go down further.
- **EMI Bounce rate** in July was marginally lower than average Q421, currently reflecting +ve metric compared to last Quarter.
- **Asset Quality:** Long term guidance on GNPA/NNPA will remain 1.7/1.8% & 0.7%/0.8% respectively. Thus overall credit cost for the year should be around Rs 42-43bn. GS2 assets higher mainly due to high churn rate in sales finance in both urban & rural areas.
- **PCR:** PCR marginally declined mainly on account of movement in customers from stage 2 to stage 3 & recognition of early delinquency in Stage 3.
- **Auto loan:** In auto segment, 3W business (30% of total) is severely impacted. Out of 113bn approx. 40bn comprise of 3W. No impact last year due to morat etc.
- **Flexi loan:** No flexi loan in Q1FY22. Flexi loans were converted into B2C.
- **Cards:** Overall EMI Card acquired 24 mn till Jun'21 vs 20.5 mn in Jun'20. Retail EMI Card business capped at 50k in per month with improving tickets of Rs 15k as compared to 9k -10k pre-covid.
- **Write off** for Q1FY22 is Rs 9.5bn. Restructuring: OTR 2.0 request for OTR2.0 is lower than OTR 1.0, also reflecting lower bounce rate. Restructuring: majority is in mortgage finance: Rs 7bn Sales finance: Rs 4bn in sales finance.
- **Partner one app:** aggregating whole thing into one app, expects the same to go live by Feb-Mar'22.
- **Wallet business:** Got PPI license. Onboarded 320k customer, on track to originate +5mn customers in FY22, given current run rate. Step 1) Onboard customers to start for activating clients.

- **Wallet Cost:** Large part based on entire voucher mgmt infrastructure that generates offer from retail ecosystem. Overall Rs 75-100 per client will be needed to spend one time to get a customer into wallet account.
- **Wallet Business target customers:** Currently all +350K customers are coming from existing customers & focus will continue to be on existing customer base only. These customers openly account with full KYC details. Average monthly run rate should be 1.6 mn customers.
- **Wallet business strategy:** To follow structure reward management to retain customers over years & focus on engagements. Headed to single checkout page strategy for a) EMI card b) UPI c) PPI, d) Credit card.
- **Payment Biz:** Entering into payment biz to deliver entire digital platform & to support wallet biz. This is created mainly from engagement point of view, to retain customers on the platform & to ensure daily transaction of customers on the app.
- **Credit card partnership:** Planning for 2nd partnership in early Nov- Dec'22

**Exhibit 23: Core business trends pick up**

AUM (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Consumer B2B -Auto Finance Business</b>	<b>97,260</b>	<b>109,080</b>	<b>118,670</b>	<b>131,760</b>	<b>1,30,850</b>	<b>1,28,020</b>	<b>1,26,870</b>	<b>1,27,070</b>	<b>1,21,120</b>	<b>1,13,470</b>
YoY gr.	55%	62%	61%	51%	35%	17%	7%	-4%	-7%	-11%
QoQ gr.	8%	12%	9%	11%	-1%	-2%	-1%	0%	-5%	-6%
AUM % mix	8%	8%	9%	9%	9%	9%	9%	9%	8%	7%
<b>Consumer B2B - Sales Finance Businesses</b>	<b>122,610</b>	<b>140,860</b>	<b>136,760</b>	<b>139,600</b>	<b>1,26,570</b>	<b>92,310</b>	<b>79,180</b>	<b>1,01,860</b>	<b>1,15,260</b>	<b>1,11,750</b>
YoY gr.	33%	24%	19%	7%	3%	-34%	-42%	-27%	-9%	21%
QoQ gr.	-13%	15%	-3%	2%	-9%	-27%	-14%	29%	13%	-3%
AUM % mix	11%	11%	10%	10%	9%	7%	6%	7%	8%	7%
<b>Consumer B2C Businesses</b>	<b>230,020</b>	<b>248,890</b>	<b>270,060</b>	<b>293,810</b>	<b>3,12,550</b>	<b>2,92,190</b>	<b>2,82,620</b>	<b>2,90,420</b>	<b>3,04,500</b>	<b>3,13,990</b>
YoY gr.	49%	47%	46%	43%	36%	17%	5%	-1%	-3%	7%
QoQ gr.	10%	8%	9%	9%	6%	-7%	-3%	3%	5%	3%
AUM % mix	20%	19%	20%	20%	21%	21%	21%	20%	20%	20%
<b>Rural B2B Business</b>	<b>21,420</b>	<b>23,830</b>	<b>22,400</b>	<b>27,080</b>	<b>26,690</b>	<b>20,890</b>	<b>18,080</b>	<b>24,320</b>	<b>28,830</b>	<b>29,140</b>
YoY gr.	67%	48%	35%	21%	25%	-12%	-19%	-10%	8%	39%
QoQ gr.	-11%	11%	-6%	21%	-1%	-22%	-13%	35%	19%	1%
AUM % mix	2%	2%	2%	2%	2%	2%	1%	2%	2%	2%
<b>Rural B2C Business</b>	<b>71,010</b>	<b>79,610</b>	<b>89,290</b>	<b>99,570</b>	<b>1,06,590</b>	<b>1,02,810</b>	<b>1,02,910</b>	<b>1,09,540</b>	<b>1,18,220</b>	<b>1,25,370</b>
YoY gr.	70%	65%	62%	58%	50%	29%	15%	10%	11%	22%
QoQ gr.	11%	12%	12%	12%	7%	-4%	0%	6%	8%	6%
AUM % mix	6%	6%	7%	7%	7%	7%	8%	8%	8%	8%
<b>SME Business</b>	<b>157,590</b>	<b>163,340</b>	<b>179,080</b>	<b>187,030</b>	<b>1,94,290</b>	<b>1,82,770</b>	<b>1,82,530</b>	<b>1,88,800</b>	<b>2,02,170</b>	<b>2,03,350</b>
YoY gr.	38%	36%	34%	32%	23%	12%	2%	1%	4%	11%
QoQ gr.	11%	4%	10%	4%	4%	-6%	0%	3%	7%	1%
AUM % mix	14%	13%	13%	13%	13%	13%	13%	13%	13%	13%
<b>Securities Lending Business</b>	<b>63,590</b>	<b>90,850</b>	<b>71,860</b>	<b>65,130</b>	<b>48,220</b>	<b>39,570</b>	<b>53,270</b>	<b>50,740</b>	<b>60,540</b>	<b>62,900</b>
YoY gr.	-6%	30%	11%	5%	-24%	-56%	-26%	-22%	26%	59%
QoQ gr.	3%	43%	-21%	-9%	-26%	-18%	35%	-5%	19%	4%
AUM % mix	5%	7%	5%	4%	3%	3%	4%	4%	4%	4%
<b>Commercial Lending Business</b>	<b>56,670</b>	<b>58,780</b>	<b>62,290</b>	<b>65,030</b>	<b>64,110</b>	<b>60,750</b>	<b>65,550</b>	<b>75,100</b>	<b>82,930</b>	<b>90,110</b>
YoY gr.	37%	18%	18%	15%	13%	3%	5%	15%	29%	48%
QoQ gr.	0%	4%	6%	4%	-1%	-5%	8%	15%	10%	9%
AUM % mix	5%	5%	5%	4%	4%	4%	5%	5%	5%	6%
<b>Mortgages</b>	<b>338,710</b>	<b>373,740</b>	<b>404,920</b>	<b>441,910</b>	<b>4,61,660</b>	<b>4,61,240</b>	<b>4,59,890</b>	<b>4,67,580</b>	<b>4,95,920</b>	<b>5,11,070</b>
YoY gr.	43%	45%	43%	44%	36%	23%	14%	6%	7%	11%
QoQ gr.	10%	10%	8%	9%	4%	0%	0%	2%	6%	3%
AUM % mix	29%	29%	30%	30%	31%	33%	34%	33%	32%	32%
<b>IPO Financing</b>										<b>29,420</b>
<b>Overall AUMs</b>	<b>1,158,880</b>	<b>1,288,980</b>	<b>1,355,330</b>	<b>1,450,920</b>	<b>14,71,530</b>	<b>13,80,550</b>	<b>13,70,900</b>	<b>14,35,430</b>	<b>15,29,490</b>	<b>15,90,570</b>
YoY gr.	41%	41%	38%	35%	27%	7%	1%	-1%	4%	15%
QoQ gr.	5%	11%	5%	7%	1%	-6%	-1%	5%	7%	4%

Source: Company, PL



**Exhibit 24: New Customers improved sequentially but has not returned to Pre-COVID Levels**

Key Data Metrics	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Total Customer Franchise</b>	<b>34.48</b>	<b>36.94</b>	<b>38.70</b>	<b>40.38</b>	<b>42.6</b>	<b>42.60</b>	<b>44.11</b>	<b>46.31</b>	<b>48.57</b>	<b>50.45</b>
YoY gr.	32%	31%	29%	24%	24%	15%	14%	15%	14%	18%
QoQ gr.	6%	7%	5%	4%	5%	0%	4%	5%	5%	4%
<b>Total Cross sell Franchise</b>	<b>20.67</b>	<b>21.85</b>	<b>22.78</b>	<b>23.48</b>	<b>24.13</b>	<b>24.13</b>	<b>23.87</b>	<b>25.25</b>	<b>26.89</b>	<b>27.43</b>
YoY gr.	34%	32%	28%	19%	17%	10%	5%	8%	11%	14%
QoQ gr.	5%	6%	4%	3%	3%	0%	-1%	6%	6%	2%
<b>New to BAF Customers (Nos)</b>	<b>1,917,490</b>	<b>2,455,827</b>	<b>1,921,238</b>	<b>2,461,473</b>	<b>19,00,989</b>	<b>5,32,441</b>	<b>12,18,724</b>	<b>21,92,461</b>	<b>22,60,681</b>	<b>18,80,000</b>
YoY gr.	36%	19%	9%	-2%	-1%	-78%	-37%	-11%	19%	253%
QoQ gr.	-24%	28%	-22%	28%	-23%	-72%	129%	80%	3%	-17%
<b>Credit Card - CIF</b>	<b>1,053,000</b>	<b>1,285,000</b>	<b>1,496,000</b>	<b>1,660,000</b>	<b>18,39,000</b>	<b>17,98,000</b>	<b>18,70,000</b>	<b>19,00,000</b>	<b>20,50,000</b>	<b>21,30,000</b>
YoY gr.	176%	153%	126%	96%	75%	40%	25%	14%	11%	18%
QoQ gr.	25%	22%	16%	11%	11%	-2%	4%	2%	8%	4%
<b>EMI Card - CIF in Mn</b>	<b>18.7</b>	<b>19.8</b>	<b>20</b>	<b>20.5</b>	<b>21.98</b>	<b>21.5</b>	<b>20.6</b>	<b>23.5</b>	<b>23.77</b>	<b>24.1</b>
YoY gr.	45%	39%	30%	24%	18%	9%	3%	15%	8%	12%
QoQ gr.	13%	6%	1%	2%	7%	-2%	-4%	14%	1%	1%
<b>Wallets</b>	<b>8.3</b>	<b>10</b>	<b>11.8</b>	<b>13.5</b>	<b>15.2</b>	<b>15.7</b>	<b>16.8</b>	<b>18.3</b>	<b>19.8</b>	<b>20.9</b>
YoY gr.	538%	355%	258%	108%	83%	57%	42%	36%	30%	33%
QoQ gr.	28%	20%	18%	14%	13%	3%	7%	9%	8%	6%

Source: Company, PL

**Exhibit 25: Robust distribution network**

Distribution network	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Overall BAF presence</b>	<b>1,736</b>	<b>1,830</b>	<b>1,895</b>	<b>1,997</b>	<b>2,179</b>	<b>2,392</b>	<b>2,408</b>	<b>2,641</b>	<b>2,814</b>	<b>2,988</b>	<b>3,113</b>
YoY gr.	55%	37%	28%	24%	26%	31%	27%	32%	29%	25%	29%
QoQ gr.	8%	5%	4%	5%	9%	10%	1%	10%	7%	6%	4%
<b>Urban</b>	<b>867</b>	<b>927</b>	<b>944</b>	<b>956</b>	<b>986</b>	<b>1,035</b>	<b>1,049</b>	<b>1,134</b>	<b>1,210</b>	<b>1,298</b>	<b>1,368</b>
YoY gr.	64%	27%	19%	11%	14%	12%	11%	19%	23%	25%	30%
QoQ gr.	1%	7%	2%	1%	3%	5%	1%	8%	7%	7%	5%
% total	50%	51%	50%	48%	45%	43%	44%	43%	43%	43%	44%
<b>Rural</b>	<b>869</b>	<b>903</b>	<b>951</b>	<b>1,041</b>	<b>1,193</b>	<b>1,357</b>	<b>1,359</b>	<b>1,507</b>	<b>1,604</b>	<b>1,690</b>	<b>1,745</b>
YoY gr.	48%	50%	37%	39%	37%	50%	43%	45%	34%	25%	28%
QoQ gr.	16%	4%	5%	9%	15%	14%	0%	11%	6%	5%	3%
% total	50%	49%	50%	52%	55%	57%	56%	57%	57%	57%	3,113

Source: Company, PL

**Exhibit 26: Healthy liability management with reduction in NCDs to 36%**

Liability profile	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Overall Borrowings (rs mn)</b>	<b>863,520</b>	<b>944,620</b>	<b>975,970</b>	<b>1,120,500</b>	<b>12,98,060</b>	<b>1,21,120</b>	<b>12,49,000</b>	<b>12,41,620</b>	<b>13,16,450</b>	<b>13,32,980</b>
YoY gr.	40.3%	40.1%	32.2%	38.6%	50.3%	-87.2%	28.0%	10.8%	1.4%	10.1%
QoQ gr.	6.8%	9.4%	3.3%	14.8%	15.8%	-90.7%	3.1%	-0.6%	6.0%	1.3%
<b>Borrowings mix (%)</b>										
Banks	34.2%	33.4%	35.0%	32.0%	30.0%	31.0%	28.0%	26.0%	0.0%	0.0%
NCDs	37.9%	35.0%	35.0%	37.0%	38.0%	35.0%	35.0%	35.0%	37.0%	36.0%
Tier 2 Debt	4.8%	4.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	3.0%
FD	15.3%	16.0%	18.0%	21.0%	21.0%	21.0%	22.0%	24.0%	26.0%	21.0%
CP	7.4%	10.2%	8.0%	2.0%	3.0%	3.0%	6.0%	5.0%	6.0%	6.0%
CBLO	0.5%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company, PL

**Exhibit 27: Return Ratios declined due to adverse impact on business during lockdown**

BAF CONSOLIDATED Key Metrics/Ratio Analysis	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Total Opex to Net Interest Income</b>	<b>34.6%</b>	<b>35.0%</b>	<b>34.6%</b>	<b>33.9%</b>	<b>31.0%</b>	<b>27.9%</b>	<b>27.8%</b>	<b>32.3%</b>	<b>35.3%</b>	<b>30.6%</b>
YoY increase in bps	-4.9%	-2.0%	-0.8%	-1.0%	-340	-710	-680	-150	430	270
QoQ increase in bps	-0.3%	0.4%	-0.4%	-0.7%	-290	-310	-10	450	300	-470
<b>Loan loss to AUM*</b>	<b>0.4%</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.6%</b>	<b>1.4%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>1.0%</b>	<b>1.1%</b>	<b>1.2%</b>
YoY increase in bps	0.1%	0.1%	0.1%	0.2%	101	77	83	39	-30	-6
QoQ increase in bps	-0.1%	0.1%	0.0%	0.2%	78	-16	6	-29	9	8
<b>Return on Average Assets</b>	<b>4.4%</b>	<b>4.0%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>3.6%</b>	<b>4.4%</b>	<b>2.8%</b>
YoY increase in bps	0.4%	0.0%	0.8%	0.8%	-160	-120	-200	-120	160	0
QoQ increase in bps	0.4%	-0.4%	0.8%	0.0%	-200	0	0	80	80	-160
<b>Return on Average Equity</b>	<b>24.8%</b>	<b>23.6%</b>	<b>28.0%</b>	<b>23.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>11.6%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>10.8%</b>
YoY increase in bps	560	320	640	0	-1320	-1200	-1640	-1040	160	-80
QoQ increase in bps	120	-120	440	-440	-1200	0	0	160	0	-240

Source: Company, PL

**Exhibit 28: Absolute GNPA increases manifold due to business disruption caused by Covid 2<sup>nd</sup> wave**

BAF CONSOLIDATED ASSET QUALITY PROFILE	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>GNPA (Rs mn)</b>										
<b>Auto Finance Business</b>	<b>5,290</b>	<b>6,020</b>	<b>7,040</b>	<b>7,980</b>	<b>9,120</b>	<b>8,220</b>	<b>6,310</b>	<b>16,170</b>	<b>12,270</b>	<b>24,260</b>
YoY gr.	-34%	11%	54%	58%	72%	37%	-10%	103%	35%	195%
QoQ gr.	5%	14%	17%	13%	14%	-10%	-23%	156%	-24%	98%
<b>Sale Finance Business</b>	<b>1,580</b>	<b>1,960</b>	<b>1,910</b>	<b>1,560</b>	<b>1,910</b>	<b>1,090</b>	<b>310</b>	<b>2,650</b>	<b>1,450</b>	<b>1,330</b>
YoY gr.			30%	17%	21%	-44%	-84%	70%	-24%	22%
QoQ gr.	19%	24%	-3%	-18%	22%	-43%	-72%	755%	-45%	-8%
<b>Consumer B2C Business</b>	<b>3,300</b>	<b>4,200</b>	<b>4,150</b>	<b>4,070</b>	<b>5,220</b>	<b>3,810</b>	<b>2,410</b>	<b>9,820</b>	<b>5,000</b>	<b>8,960</b>
YoY gr.		40%	30%	29%	58%	-9%	-42%	141%	-4%	135%
QoQ gr.	4%	27%	-1%	-2%	28%	-27%	-37%	307%	-49%	79%
<b>Rural B2B Business</b>	<b>220</b>	<b>250</b>	<b>280</b>	<b>170</b>	<b>150</b>	<b>80</b>	<b>30</b>	<b>520</b>	<b>330</b>	<b>400</b>
YoY gr.				13%	-32%	-68%	-89%	206%	120%	400%
QoQ gr.	47%	14%	12%	-39%	-12%	-47%	-63%	1633%	-37%	21%
<b>Rural B2C Business</b>	<b>1,120</b>	<b>1,340</b>	<b>1,300</b>	<b>1,370</b>	<b>1,680</b>	<b>1,380</b>	<b>950</b>	<b>4,160</b>	<b>2,010</b>	<b>3,720</b>
YoY gr.	60%	47%	38%	51%	50%	3%	-27%	204%	20%	170%
QoQ gr.	23%	20%	-3%	5%	23%	-18%	-31%	338%	-52%	85%
<b>SME Business</b>	<b>2,370</b>	<b>2,760</b>	<b>2,740</b>	<b>2,710</b>	<b>3,370</b>	<b>2,790</b>	<b>2,070</b>	<b>4,520</b>	<b>2,040</b>	<b>4,520</b>
YoY gr.	-60%	19%	7%	8%	42%	1%	-24%	67%	-39%	62%
QoQ gr.	-6%	16%	-1%	-1%	24%	-17%	-26%	118%	-55%	122%
<b>Securities Lending Business</b>										
YoY gr.										
QoQ gr.										
<b>Commercial Lending Business</b>	<b>360</b>	<b>360</b>	<b>360</b>	<b>390</b>	<b>20</b>	<b>20</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
YoY gr.	1700%						-97%	-100%	-100%	-100%
QoQ gr.	-	0%	0%	8%	-95%	0%	-50%	-100%		
<b>Mortgages</b>	<b>3,800</b>	<b>4,050</b>	<b>4,350</b>	<b>5,290</b>	<b>2,170</b>	<b>1,990</b>	<b>2,300</b>	<b>4,100</b>	<b>4,210</b>	<b>4,180</b>
YoY gr.		252%	121%	40%	-43%	-51%	-47%	-22%	94%	110%
QoQ gr.	0%	7%	7%	22%	-59%	-8%	16%	78%	3%	-1%
<b>Overall GNPA</b>	<b>18,040</b>	<b>20,940</b>	<b>22,130</b>	<b>23,540</b>	<b>23,640</b>	<b>19,380</b>	<b>14,390</b>	<b>41,940</b>	<b>27,310</b>	<b>47,370</b>
YoY gr.	23%	64%	50%	39%	31%	-7%	-35%	78%	16%	144%
QoQ gr.	7%	16%	6%	6%	0%	-18%	-26%	191%	-35%	73%

Source: Company, PL

**Exhibit 29: BHFL performance metrics – on lower end in Q1FY22 due to strict lockdowns in May-Jun'21**

BHFL Key Metrics/Ratio Analysis	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>NII (Rs mn)</b>	<b>1,980</b>	<b>2,640</b>	<b>2,850</b>	<b>2,830</b>	<b>2,430</b>	<b>2,480</b>	<b>3,920</b>	<b>3,690</b>	<b>3,350</b>
YoY gr.	157%	159%	118%	75%	23%	-6%	38%	30%	38%
QoQ gr.	22%	33%	8%	-1%	-14%	2%	58%	-6%	-9%
<b>PAT (Rs mn)</b>	<b>700</b>	<b>1,300</b>	<b>1,310</b>	<b>910</b>	<b>920</b>	<b>830</b>	<b>1,990</b>	<b>1,790</b>	<b>1,610</b>
YoY gr.	3400%	1344%	-61%	47%	31%	-36%	52%	97%	75%
QoQ gr.	13%	86%	1%	-31%	1%	-10%	140%	-10%	-10%
<b>Total Opex to Net Interest Income</b>	<b>41%</b>	<b>33%</b>	<b>34%</b>	<b>25%</b>	<b>31%</b>	<b>28%</b>	<b>26%</b>	<b>27%</b>	<b>27%</b>
YoY increase in bps	-50%	-50%	-23%	-1660	-1090	-510	-730	120	-330
QoQ increase in bps	-1%	-8%	1%	-860	510	-230	-180	20	60
<b>Loan loss to AUM</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>7.0%</b>
YoY increase in bps	-0.4%	0.0%	0.0%	33	16	17	30	-24	684
QoQ increase in bps	0.0%	0.1%	0.0%	27	-17	7	13	-27	691
<b>RoE</b>	<b>1.6%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>1.2%</b>	<b>1.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.6%</b>	<b>0.5%</b>
YoY increase in bps	2%	1%	0%	-40	-40	-30	-20	-60	-70
QoQ increase in bps	0%	-1%	0%	70	0	-90	0	30	-10
<b>RoA</b>	<b>7.6%</b>	<b>3.4%</b>	<b>3.3%</b>	<b>7.6%</b>	<b>6.4%</b>	<b>1.5%</b>	<b>1.7%</b>	<b>3.0%</b>	<b>2.6%</b>
YoY increase in bps	7%	3%	2%	-40	-120	-190	-160	-460	-380
QoQ increase in bps	0%	-4%	0%	430	-120	-490	20	130	-40

Source: Company, PL

**Exhibit 30: Spike in stage 1 & 2 assets for BHFL in Q1FY22**

BHFL ASSET QUALITY	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
<b>Gross Stage 1 &amp; 2 assets</b>	<b>234,810</b>	<b>265,320</b>	<b>2,81,990</b>	<b>2,87,390</b>	<b>2,96,010</b>	<b>3,13,560</b>	<b>3,40,000</b>	<b>3,63,780</b>
YoY gr.	119%	89%	62%	40%	26%	18%	21%	27%
QoQ gr.	14%	13%	6%	2%	3%	6%	8%	7%
<b>Gross Stage 1 &amp; 2 assets % AUM</b>	<b>99.94%</b>	<b>99.93%</b>	<b>99.92%</b>	<b>99.92%</b>	<b>99.91%</b>	<b>99.70%</b>	<b>99.65%</b>	<b>99.72%</b>
YoY increase in bps	-0.04%	-0.04%	-0.03%	-0.02%	-0.03%	-0.23%	-0.27%	-0.20%
QoQ increase in bps	0.00%	-0.01%	-0.01%	0.00%	-0.01%	-0.21%	-0.05%	0.07%
<b>Gross Stage 3 assets</b>	<b>133</b>	<b>199</b>	<b>237</b>	<b>241</b>	<b>269</b>	<b>1,102</b>	<b>1,191</b>	<b>1,025</b>
YoY gr.	478%	342%	149%	84%	102%	454%	403%	325%
QoQ gr.	2%	50%	19%	2%	12%	310%	8%	-14%
<b>Gross Stage 3 assets % AUM</b>	<b>0.06%</b>	<b>0.07%</b>	<b>0.08%</b>	<b>0.08%</b>	<b>0.09%</b>	<b>0.29%</b>	<b>0.35%</b>	<b>0.28%</b>
YoY increase in bps	0.04%	0.04%	0.03%	0.02%	0.03%	0.22%	0.27%	0.20%
QoQ increase in bps	0.00%	0.01%	0.01%	0.00%	0.01%	0.20%	0.06%	-0.07%
<b>Coverage Ratio % Stage 3 assets</b>	<b>45.40%</b>	<b>32.00%</b>	<b>38.00%</b>	<b>38.00%</b>	<b>38.00%</b>	<b>38.00%</b>	<b>38.00%</b>	<b>36.00%</b>
YoY increase in bps	22.30%	8.90%	2.60%	5.70%	-7.40%	6.00%	0.00%	-2.00%
QoQ increase in bps	13.10%	-13.40%	6.00%	0.00%	0.00%	0.00%	0.00%	-2.00%
<b>ECL/Total Assets</b>	<b>0.18%</b>	<b>0.19%</b>	<b>0.43%</b>	<b>0.58%</b>	<b>0.78%</b>	<b>1.06%</b>	<b>1.04%</b>	<b>0.97%</b>
YoY increase in bps	0.04%	0.04%	0.26%	0.40%	0.60%	0.87%	0.61%	0.39%
QoQ increase in bps	0.00%	0.01%	0.24%	0.15%	0.20%	0.28%	-0.02%	-0.07%

Source: Company, PL

**Exhibit 31: BAF Consolidated ECL Summary: PCR in stage 1 & 2 sequentially decline**

	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Stage 1 & 2 (represents standard assets)	98.39%	98.39%	98.60%	98.66%	97.14%	98.21%	97.04%
Stage 3 (classified as NPA)	1.61%	1.61%	1.40%	1.03%	0.55%	1.79%	2.96%
Stage 3 (not classified as NPA)	-	-	-	0.31%	2.32%		-
Assets and impairment allowance							
Gross Stage 1 & 2 assets	1435340	1441990	1364610	1380350	1422870	1498780	1551880
ECL Provision Stage 1 & 2	14,430	22,990	37,290	50,990	27,080	27,130	27070
Net Stage 1 & 2 assets	1420910	1419000	1327320	1329360	1395790	1471650	1524810
ECL Provision % Stage 1 & 2 assets	1.01%	1.59%	2.73%	3.69%	1.90%	1.81%	1.74%
Gross Stage 3 assets	23,540	23,630	19,380	18,730	41,940	27,310	47370
ECL Provision Stage 3	13,350	14,250	12,570	11,020	24,330	15,950	24300
Net Stage 3 assets	10,190	9380	6810	7710	17,610	11,360	23070
Coverage Ratio % Stage 3 assets	57%	60%	65%	59%	58%	58%	51%
Overall coverage ratio	1.90%	2.54%	3.60%	4.43%	3.51%	2.82%	3.21%

Source: Company, PL

**Exhibit 32: We tweak loan estimates higher and GNPA marginally lower for FY22/23E; upgrade to BUY**

(Rs mn)	Old			Revised			Change in Estimates		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Net Interest Income	1,72,541	1,81,008	2,17,616	1,72,541	1,86,016	2,19,886	0.0%	2.8%	1.0%
Operating Profit	1,19,608	1,28,308	1,59,028	1,19,608	1,31,237	1,59,186	0.0%	2.3%	0.1%
PAT	44,198	69,641	96,208	44,198	71,133	98,326	0.0%	2.1%	2.2%
EPS (Rs)	73.5	115.8	159.9	73	118	163	0.0%	2.1%	2.2%
<b>Price Target (Rs)</b>	<b>5,845</b>			<b>6,840</b>			<b>17.0%</b>		
<b>Reco</b>	<b>Accumulate</b>			<b>BUY</b>					

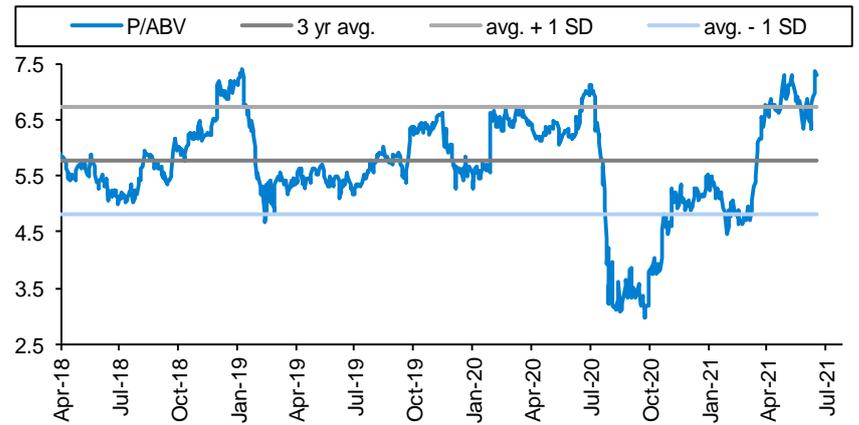
Source: PL

**Exhibit 33: Target price revised upwards to Rs 6,840, Upgrade to BUY**
**PT calculation and upside**

Fair price – EVA	6,161
Fair price - P/ABV	7,159
<b>Average of the two</b>	<b>6,840</b>
<b>Target P/ABV</b>	<b>9.0</b>
<b>Target P/E</b>	<b>71.4</b>
Current price, Rs	5942
<b>Upside (%)</b>	<b>15%</b>
Dividend yield (%)	1%
<b>Total return (%)</b>	<b>16%</b>

Source: PL

Exhibit 34: BAF valuations to get re-rated led by transformation phase 2



Source: Company, Bloomberg, PL

**Income Statement (Rs. m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
Int. Inc. / Opt. Inc.	263,738	266,681	293,094	349,040
Interest Expenses	94,732	94,140	107,078	129,154
<b>Net interest income</b>	<b>169,006</b>	<b>172,541</b>	<b>186,016</b>	<b>219,886</b>
Growth(%)	42.5	2.1	7.8	18.2
Non-interest income	118	150	1,004	2,699
Growth(%)	(9.3)	26.4	571.8	168.8
Net operating income	169,124	172,691	187,021	222,586
<b>Expenditures</b>				
Employees	25,491	24,987	25,339	29,535
Other Expenses	28,171	24,843	26,295	28,527
Depreciation	2,946	3,253	4,149	5,339
Operating Expenses	56,608	53,082	55,784	63,400
<b>PPP</b>	<b>112,516</b>	<b>119,608</b>	<b>131,237</b>	<b>159,186</b>
Growth(%)	46.5	6.3	9.7	21.3
Provisions	39,295	59,686	36,177	27,874
<b>Profit Before Tax</b>	<b>73,221</b>	<b>59,923</b>	<b>95,060</b>	<b>131,312</b>
Tax	20,584	15,724	23,927	32,986
Effective Tax rate(%)	28.1	26.2	25.2	25.1
<b>PAT</b>	<b>52,638</b>	<b>44,198</b>	<b>71,133</b>	<b>98,326</b>
Growth(%)	31.8	(16.0)	60.9	38.2

**Balance Sheet (Rs. m)**

Y/e Mar	FY20	FY21	FY22E	FY23E
<b>Source of funds</b>				
Equity	1,200	1,203	1,203	1,203
Reserves and Surplus	322,077	367,981	418,631	513,482
Networth	323,277	369,184	419,834	514,685
Growth (%)	64.1	14.2	13.7	22.6
Loan funds	1,298,064	1,316,454	1,440,584	1,685,280
Growth (%)	27.8	1.4	9.4	17.0
Deferred Tax Liability	-	-	-	-
Other Current Liabilities	-	-	-	-
Other Liabilities	22,574	29,631	51,060	64,298
<b>Total Liabilities</b>	<b>1,643,914</b>	<b>1,715,269</b>	<b>1,911,479</b>	<b>2,264,262</b>
<b>Application of funds</b>				
Net fixed assets	13,210	13,668	14,764	16,237
Advances	1,413,761	1,466,869	1,751,369	2,101,285
Growth (%)	25.7	3.8	19.4	20.0
Investments	175,439	183,969	85,801	82,023
Current Assets	13,827	21,762	25,143	27,783
<b>Net current assets</b>	<b>13,827</b>	<b>21,762</b>	<b>25,143</b>	<b>27,783</b>
Other Assets	27,677	29,002	34,401	36,934
<b>Total Assets</b>	<b>1,643,914</b>	<b>1,715,269</b>	<b>1,911,479</b>	<b>2,264,262</b>
Growth (%)	32.3	4.3	11.4	18.5
<b>Business Mix</b>				
AUM	1,471,530	1,529,470	1,751,369	2,101,285
Growth (%)	27.0	3.9	14.5	20.0
On Balance Sheet	-	-	-	-
% of AUM	-	-	-	-
Off Balance Sheet	-	-	-	-
% of AUM	-	-	-	-

**Profitability & Capital (%)**

Y/e Mar	FY20	FY21	FY22E	FY23E
NIM	11.7	10.3	10.3	10.5
ROAA	3.6	2.6	3.9	4.7
ROAE	20.2	12.8	18.0	21.0

Source: Company Data, PL Research

**Quarterly Financials (Rs. m)**

Y/e Mar	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Int. Inc. / Operating Inc.	57,631	57,225	60,343	59,542
Income from securitization	7,535	9,337	8,163	7,877
Interest Expenses	23,581	23,627	21,956	22,536
<b>Net Interest Income</b>	<b>41,584</b>	<b>42,934</b>	<b>46,551</b>	<b>44,884</b>
Growth (%)	4.0	(5.2)	(0.5)	8.1
Non-Interest Income	67	24	43	11
<b>Net Operating Income</b>	<b>41,652</b>	<b>42,958</b>	<b>46,594</b>	<b>44,895</b>
Growth (%)	4.2	(5.3)	(0.5)	8.1
Operating expenditure	10,878	13,100	15,161	12,843
<b>PPP</b>	<b>30,059</b>	<b>29,062</b>	<b>30,534</b>	<b>31,162</b>
Growth (%)	1.1	5.3	5.4	5.7
Provision	17,004	13,517	12,308	17,503
Exchange Gain / (Loss)	-	-	-	-
Profit before tax	13,055	15,545	18,226	13,659
Tax	3,406	4,085	4,760	3,634
Prov. for deferred tax liability	-	-	-	-
Effective Tax Rate	26.1	26.3	26.1	26.6
<b>PAT</b>	<b>9,649</b>	<b>11,460</b>	<b>13,466</b>	<b>10,024</b>
Growth	(36)	(29)	42	4
AUM	1,370,900	1,435,500	1,529,470	1,590,570
YoY growth (%)	1.1	(1.1)	3.9	15.2
Borrowing	1,249,000	1,241,620	1,316,450	1,332,980
YoY growth (%)	4.2	1.7	1.4	10.1

**Key Ratios**

Y/e Mar	FY20	FY21	FY22E	FY23E
CMP (Rs)	5,942	5,942	5,942	5,942
EPS (Rs)	89.5	73.6	118.2	163.4
Book value (Rs)	538.8	613.7	697.9	855.5
Adj. BV(Rs)	523.5	595.4	680.3	832.1
P/E(x)	66.4	80.8	50.3	36.4
P/BV(x)	11.0	9.7	8.5	6.9
P/ABV(x)	11.3	10.0	8.7	7.1
DPS (Rs)	4.4	10.0	4.8	5.0
Dividend Payout Ratio(%)	0.0	0.0	0.0	0.0
Dividend Yield(%)	0.1	0.2	0.1	0.1

**Asset Quality**

Y/e Mar	FY20	FY21	FY22E	FY23E
Gross NPAs(Rs m)	22,762	26,257	35,027	39,924
Net NPA(Rs m)	9,189	11,002	15,762	21,013
Gross NPAs to Gross Adv.(%)	1.6	1.8	2.0	1.9
Net NPAs to net Adv.(%)	0.7	0.8	0.9	1.0
NPA coverage(%)	59.6	58.1	55.0	47.4

**Du-Pont as a % of AUM**

Y/e Mar	FY20	FY21	FY22E	FY23E
NII	11.7	10.3	10.3	10.5
NII INCl. Securitization	11.7	10.3	10.3	10.5
Total income	11.7	10.3	10.3	10.7
Operating Expenses	3.9	3.2	3.1	3.0
PPOP	7.8	7.1	7.2	7.6
Total Provisions	2.7	3.6	2.0	1.3
RoAA	3.6	2.6	3.9	4.7
Avg. Assets/Avg. net worth	5.5	4.9	4.6	4.5
RoAE	20.2	12.8	18.0	21.0

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	6-Jul-21	Accumulate	5,845	6,073
2	28-Apr-21	Accumulate	5,315	4,865
3	6-Apr-21	Accumulate	5,340	4,964
4	20-Jan-21	Accumulate	5,340	4,982
5	11-Jan-21	Accumulate	5,491	5,081
6	5-Jan-21	Accumulate	5,491	5,217
7	22-Oct-20	BUY	3,805	3,233
8	12-Oct-20	BUY	3,813	3,317

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	5,845	6,073
2	Cholamandalam Investment and Finance Company	BUY	613	519
3	HDFC	BUY	3,087	2,495
4	L&T Finance Holdings	Reduce	87	91
5	LIC Housing Finance	Hold	469	472
6	Mahindra & Mahindra Financial Services	Sell	153	160
7	Manappuram Finance	Accumulate	187	177
8	Muthoot Finance	BUY	1,700	1,559
9	SBI Cards and Payment Services	Accumulate	1,018	988
10	Shriram Transport Finance	Accumulate	1,445	1,371

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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